

# SRA

STRATEGIC RAIL AUTHORITY

## Stakeholder Briefing: Northern Rail Franchise



June 2003

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## 1 Purpose of document

This document briefs interested parties on the process being followed by the Authority in letting the Northern Rail Franchise.

The document contains:

- a description of the Authority's goals for the Franchise and the roles of the PTEs;
- the Authority's Base Case for the Northern Rail Franchise and the Options to be considered; and
- the Franchise context which sets out rolling stock and material policy issues.

## 2 Introduction

### 2.1 SRA overall goals

The Authority's objectives in the letting of franchises are to:

- deliver a safe, more reliable service of consistently high quality for rail passengers;
- provide clarity of service specification so that industry partners work together for passengers;
- deliver value for money for passengers and taxpayers; and
- secure accountable, viable operators who are passionate about delivering for their customers.

### 2.2 Northern Rail Franchise

In January 2003, the Authority published its second Strategic Plan setting out its plan for achieving the targets set by HM Government in their 10 Year Plan For Transport and the Authority's vision for a railway fit for the 21<sup>st</sup> century. The Authority has made central to its aim the requirement to reduce total industry costs in achieving delivery of the Strategic Plan. The Authority's Franchising Policy Statement emphasises its wish to inject new impetus into industry performance and operator efficiency.

The new Franchise will provide inter-urban, commuter and rural services throughout the whole of the North of England, principally serving the Greater Manchester, South Yorkshire, West Yorkshire and Tyne & Wear Passenger Transport Executive ("PTE") areas. A number of services also run from, and into, the Merseyside area. The services are operated by diesel and electrical multiple units.

The routes to make up the Northern Rail Franchise are indicatively shown in appendix 1.

The Authority faces very real affordability constraints and, given the high ratio of support payments to passenger receipts, the successful Bidder will have to focus on:

- performance improvement; and
  - cost management
- in addition to delivering more revenue.

The successful Bidder will need to manage:

- a successful transition of the existing franchises to Northern Rail; and
- relationships with the Authority, PTEs and other key stakeholders.

The Northern Rail Franchise is to be created from:

- services presently operated by Arriva Trains Northern (“ATN”); and
- services presently operated by First North Western (“FNW”).

The detailed arrangements are summarised below:

- existing FNW services to and from stations along the North Wales coast are to be transferred to the Interim Wales and Borders Franchise in September 2003;
- existing ATN inter-urban and Manchester International Airport (“MIA”) services and some FNW services, also to MIA, are planned to be transferred to the TransPennine Express Franchise on the commencement of that Franchise in early 2004;
- existing ATN operated Leeds – Carlisle service, extended to Glasgow once a day in each direction, will no longer run between Carlisle and Glasgow from September 2003;
- existing FNW Manchester – Birmingham International service via Crewe will not run between Crewe and Birmingham International from May 2003;
- existing Birmingham – Manchester Piccadilly via Stafford will not run between Stafford and Birmingham from May 2003; and
- on its expiry on 1 April 2004, it is intended that the FNW Franchise will be extended, as necessary, to continue the provision of rail services until the start of the new Northern Rail Franchise. The ATN Franchise expires on 30 September 2004.

Additionally, Bidders are to take account of the following:

- Greater Manchester PTE is to convert the Oldham Loop line to light rail operation, in December 2004, as an extension to Manchester Metrolink. This change will sever the Oldham loop from the national rail network at Dean Lane and at Milnrow. As a result, heavy rail services currently operating along this loop will cease; and
- approved Rail Passenger Partnership schemes from the date at which secured funding ends. Approved schemes which have either been implemented or are committed are to be included in the Base Case for the period of assured funding. For the remainder of the Franchise beyond which funding is currently assured, Bidders are to price as an Option.

### 2.3 SRA goals for Franchise

The Authority's goals for the new Northern Rail Franchise provide a framework for the development of responses by bidders. These goals are summarised as follows:

- to provide a network of quality passenger services in the Franchise area, consistent with the overall needs of Northern England, and are value for money and affordable;
- to contribute to performance improvement in provision of railway services;
- to deliver timetable adjustments to enable services to more closely match the needs of users, subject to track access rights;
- to improve passenger information, particularly at times of service disruption; and
- to improve integration between different modes of transport.

The Franchisee is required to co-operate with key stakeholders, notably the PTEs, over the life of the Franchise in reviews of its service delivery, particularly in respect of those services specified by the PTEs.

#### 2.3.1 Regional policy context

The Franchise will be expected to take account of the various aspirations and objectives contained within planning policies and documents in the Northern Rail Franchise area. The documents that should be considered include, inter alia:

- Regional Planning Guidance;
- Regional Transport Strategies;
- Regional Economic Strategies;
- Local Authority Land Use Plans and Local Transport Plans.

### 2.4 Passenger Transport Executives

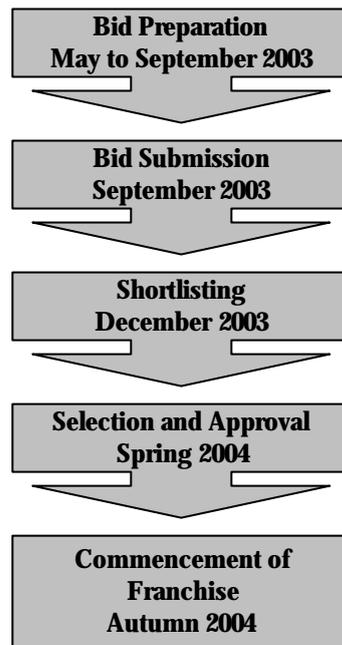
The Northern Rail Franchise will provide services currently serving the following five PTEs: Greater Manchester, Merseyside, South Yorkshire, West Yorkshire and Tyne & Wear. These PTEs have indicated that they will wish the successful Franchisee to bear revenue risk. The specification rights of PTEs are set out in Section 34 of the Railways Act 1993 and can be summarised as:

- the right to specify services for the carriage of passengers by railway which the Passenger Transport Authority ("PTA") considers appropriate to secure to meet public transport requirements within that area;
- the right to specify the minimum level of quality on the specified services;
- the right to specify the minimum level of quality for the operation of any station within the PTE area; and
- the right to specify requirements with respect to the fares charged to persons using the specified services.

The above PTEs, which have chosen to make a formal statement under Section 34 of the Railways Act in respect of the letting of the Northern Rail Franchise, will be a co-signatory to the Franchise Agreement, the terms of which will require the approval of the relevant PTA. The PTEs are currently reviewing their Section 34 Specifications in the light of the draft Invitation to Tender.

### 3 Franchising Process Timetable

The timetable for appointing the Northern Rail Franchise is summarised below:



### 4 Base Case

#### 4.1 SRA requirements

The Authority is seeking a collaborative relationship with the successful Bidder and with key regional stakeholders in the review of the development of the Franchise in the context of contributing to the overall transport needs of the region.

The preferred Bidder will be selected on criteria including its ability to demonstrate the deliverability of the Authority's performance requirements and its willingness and ability to participate in the Authority led review of the Franchise specification in the early part of the Franchise.

The Authority will also have to take into account the subsidy required in relation to the funds available to it.

#### 4.2 Franchise term

The Franchise term will comprise three phases:

##### 4.2.1 Initial two and a quarter years

From the initial expected letting of the Franchise in September/October 2004 to December 2006, the Franchisee is required to deliver a level of service provision similar to current levels, taking into account removal of services to Glasgow and Birmingham.

During this period, the successful Franchisee is required to collaborate with the Authority and other key stakeholders, particularly PTEs, in a review of the service specification and developments to enable the Authority's objectives to be met for the remainder of the Franchise term.

This will involve reviews of the Franchise service specification to ensure the appropriate heavy rail contribution to the provision of public transport service provision in the region. Such reviews could include consideration of partial or complete conversion to light rail operation on appropriate routes. Bidders are required to consider the following opportunities:

- operating cost reductions;
- reduction of rolling stock lease costs and
- increasing revenue

The Authority places importance on this aspect of the Franchise development.

##### 4.2.2 December 2006 – June 2011

Over this four and a half year phase, the Franchisee will implement agreed proposals arising out of the reviews undertaken in the period to February 2006 for implementation from the December 2006 timetable.

##### 4.2.3 June 2011 – June 2013

The continuation of the final two years of the Franchise shall be dependent on the achievement of performance at the Target benchmark level or above.

#### 4.3 Base Case assumptions

The Base Case is defined as:

- current service levels, excluding the cessation of Northern Rail services to Birmingham and Glasgow; utilising the current rolling stock fleet and
- improved quality and train service performance.

## 5 Franchise specific requirements

Bidders are to commit to a number of key requirements in relation to the preparation of their bids and operation of the Franchise.

### 5.1 Consultation with stakeholders

The SRA has received a copy of the ATCO Northern Region's 'Aspirations for Rail in the North of England' and other stakeholders aspirations. The SRA will review these in the light of the SRA Northern Rail franchise proposition.

Bidders, in developing their bids, are strongly encouraged to consult with stakeholders relevant to the Northern Rail Franchise, particularly PTEs, Rail Passenger Council and Committees, Local Authorities, Regional Development Authorities and regional planning bodies.

A summary of the consultation Bidders have undertaken together with statements as to the way in which consultees' opinions are reflected in the bid are to be stated in bids.

### 5.2 Performance Management Units

The successful Bidder will be required to report performance for each of the following five Performance Management Units ("PMUs") within the Franchise:

- Tyne, Tees & Wear;
- South & East Yorkshire;
- West & North Yorkshire;
- Lancashire & Cumbria; and
- Manchester & Liverpool.

The Services comprising each unit are shown in appendix 2.

Contractual enforcement will be exercised at PMU level. Performance is a key criterion in determining the Franchisee's suitability to fulfil the final two years of the Franchise.

### 5.3 Service Quality Standards

Bidders are required to submit a plan as to how the following Service Quality Standards are to be achieved:

- train condition – interior and exterior condition, the proper functioning of equipment, fittings and systems, and turnaround and in-service clearing;
- station environment – cleanliness, condition of shelters, waiting rooms, lifts, escalators, lighting and structures;
- information provision; and
- stations' and car parks' security.

## 6 Franchise Options

### 6.1 Bidder instructions

The ITT includes a number of Options that are designed to contribute to the achievement of the Authority's objectives, including reduction in subsidy, over the Franchise term:

- each option should be individually priced and evaluated with clear assumptions to enable the Authority to decide which of the Options, or combination of Options, it may wish to take forward; and
- each Option must be underpinned by a business case demonstrating value for money in accordance with the Authority's Appraisal Criteria.
- the closure of any station or route may not be considered;

### 6.2 Capacity enhancement

A requirement to assess additional rolling stock and other resources needed to meet Bidders' demand forecasts.

### 6.3 Transport integration

A requirement to present proposals that contribute to the integration of public transport services in the area, including information improvements and/or integrated ticketing.

### 6.4 Station improvement schemes

A requirement to propose prioritised proposals to improve access to stations, including, but not limited to:

- station facilities;
- car parks at improvements;
- access for disabled;
- facilities for cyclists;
- access signage; and
- interchange between modes.

### 6.5 Rebalanced service provision

A requirement to provide a better timetable in relation to:

- passenger demand; and
- operating efficiencies.

### 6.6 Modified service patterns

A requirement to present an Option which delivers a significant reduction in subsidy.

Franchised bus services at times of weak demand may be considered but not station or route closures.

## 6.7 Retailing

A requirement for proposals to reduce retailing costs, including increased transfer to on-train ticket issue and revenue protection on some routes and stations.

## 6.8 Fares harmonisation

A requirement to harmonise non-PTE fares across the whole franchise.

## 6.9 Bidder package

A Bidder-driven package of measures.

## 7 Co-operation in Projects' Development

Bidders are to co-operate with the Authority and other stakeholders over the development of the following projects which are planned but not sufficiently defined yet for inclusion in the Base Case:

- East Coast Main Line Route Utilisation and Development Strategy;
- West Coast Main Line Route Modernisation Strategy;
- Formation of TransPennine Express; and
- Regional Multi-Modal schemes.

## 8 Other Franchise issues

### 8.1 Sustainable branch lines (Micro-franchising)

The Authority, in collaboration with the industry, is also seeking to make the railway more accessible by promoting it locally and using local funding and enthusiasm to improve it. On rural lines, it wishes to examine new ways of:

- reducing costs; and
- enhancing revenue and external benefits on rural lines.

There are a number of active community rail partnerships whose objective is to encourage the use of the rural railway network. The Authority wishes to use the Esk Valley line from Middlesbrough to Whitby as a case study to test aspects of sustaining rural branch lines.

Bidders are required to commit to co-operate with the Authority and the Esk Valley Railway Development Company in examining, developing and implementing such proposals, as appropriate.

## 8.2 Rolling Stock Plan

The Authority requires Bidders to provide a detailed Rolling Stock Plan for the Northern Rail Franchise that:

- reflects forecast demand patterns in the most economically efficient way; and
- maximises opportunities for diagramming efficiency.

Where Bidders propose rolling stock different from that in use today, the following criteria will need to be met:

- high reliability;
- ability to facilitate peak loading and unloading; and
- cater adequately for long distance and/or short distance, including urban commuter, journeys.

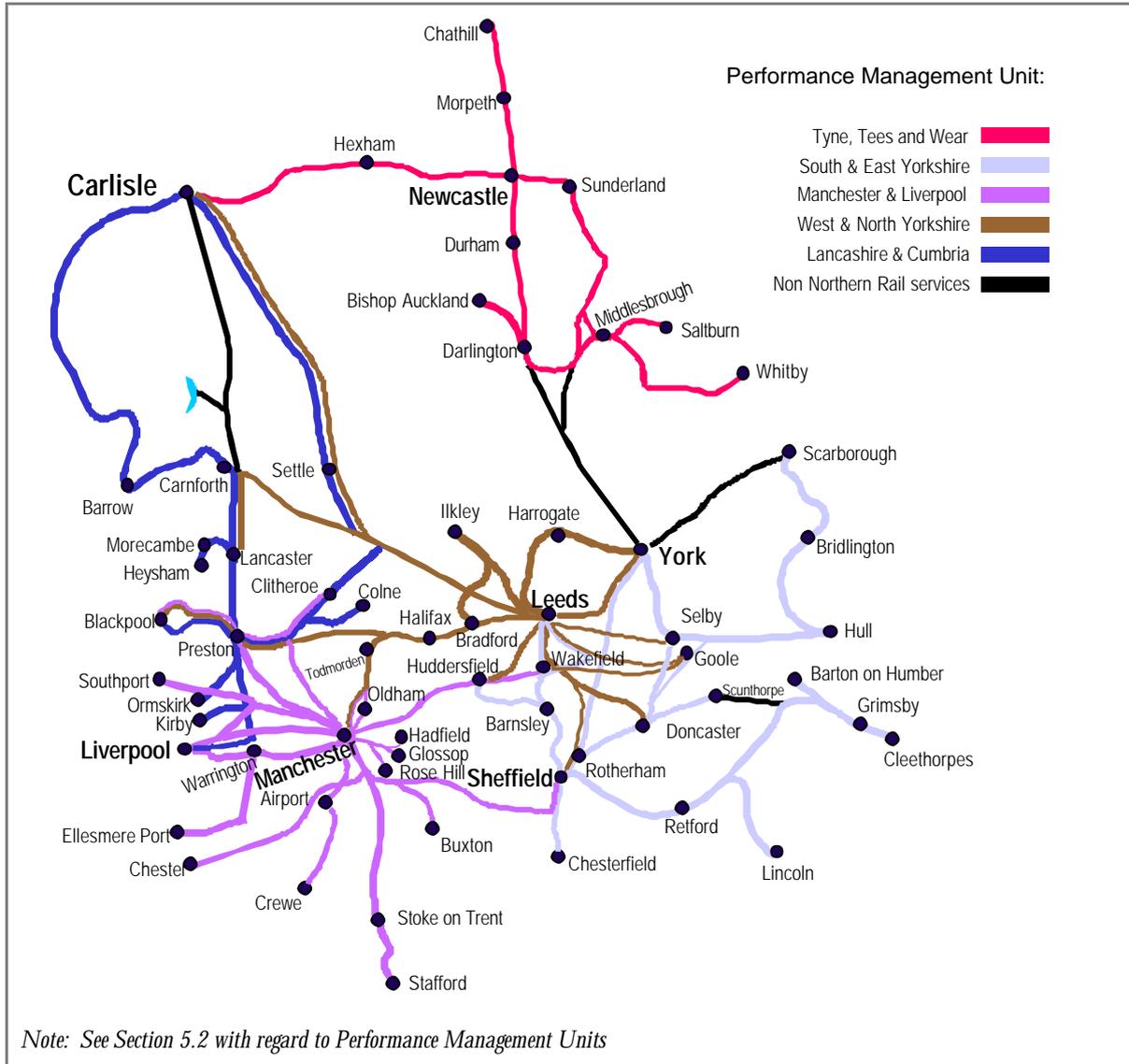
## 8.3 Incremental Output Statement (“IOS”) – infrastructure and stations schemes

The Authority is sponsoring the development of programmes of minor track and signalling schemes and provision of a range of modern facilities at certain stations.

The Authority will require operators to exploit the additional facilities and to carry the operating and maintenance costs of the facilities.

Appendix 1

Northern Rail Franchise Map



Appendix 2

Northern rail Franchise: Performance Management Units Map

